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IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1970

No. — 1152

BAKER MANUFACTURING CO.,
a corporation,

Petitioner,

vs.

WHITEWATER MANUFACTURING CO.,
a corporation,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Petitioner respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Seventh Circuit entered in this proceeding on July 30, 1970.

OPINIONS BELOW

The opinion of the United States District Court for the Eastern District of Wisconsin is reported at 298 F. Supp. 1389, 162 USPQ 240. The opinion of the Court of Appeals for the Seventh Circuit is reported at 430 F. 2d 1008, 166 USPQ 463, and is reprinted in the Appendix hereto.

JURISDICTION

The judgment of the Court of Appeals for the Seventh Circuit was entered on July 30, 1970. A timely petition for rehearing was denied on September 24, 1970, and this petition for certiorari was filed within 90 days of that date. The jurisdiction of this Court is invoked under 28 USC Sec. 1254(1) and Sec. 2101(c).

QUESTIONS PRESENTED

1. Does the denial of a valid claim on the grounds of laches require proof of both (1) lack of diligence by the party against whom the defense is asserted, and (2) prejudice to the party asserting the defense?

2. Did the Court of Appeals err in adopting and applying a rule of laches which presumes damage to respondent by the mere passage of time in the face of an undisturbed finding by the District Court that it would not be unjust to require respondent to defend the action?

3. Is the rule on laches adopted by the Court of Appeals wherein injury to the defendant is presumed by the mere passage of time, in conflict with the policy of 35 USC §286 which only denies recovery for patent infringement committed more than six years prior to filing the Complaint?

STATEMENT OF THE CASE

This is a patent case wherein the District Court, after a trial on the merits, held petitioner's patent valid and infringed. The District Court denied several defenses asserted by respondent, namely, laches, unclean hands, illegal combination and improper joinder of inventors. The

Court of Appeals held that the District Court erred in denying the defense of laches and reversed the judgment without ruling on any of the other issues in the case.

The patent-in-suit issued to petitioner on November 8, 1955 and respondent began manufacturing and selling the accused devices sometime in 1955. Petitioner gave respondent notice of infringement in February, 1956. Settlement negotiations between the parties followed with the last communication being a letter from petitioner to respondent dated September 19, 1957 wherein petitioner offered to settle the controversy by the grant of a license. Respondent never responded to petitioner's settlement offer. About 7 years and 7 months after petitioner's unanswered settlement offer was sent to respondent, suit was brought. During the 7½ year delay petitioner never represented to respondent either orally or in writing that it had dropped its charge of infringement. The foregoing facts are recited in a pretrial stipulation between the parties and thus there is no dispute as to the accuracy thereof. (Ap. 60)*

The District Court, after a full hearing on the issue of laches (which included the testimony of the Presidents of the respective parties who held office during the entire period involved), denied the defense of laches. The District Court's conclusion of law on laches was based on the following finding of fact (Ap. 555):

> "Notwithstanding the plaintiff's delay, I do not believe that the defendant is justified in its asserted belief that the plaintiff had abandoned its claim. The evidence reveals that the defendant received early notice of infringement; that after initial negotiations, the defendant ignored the plaintiff's request

*All references to the record are to the printed Appendix on Appeal, a certified copy of which is submitted with this Petition.

for further negotiations and settlement; and that at no time did the plaintiff suggest that it was abandoning its claim of infringement.

"[§9] *I conclude that enforcement of the plaintiff's claim will not work an injustice.* The plaintiff is barred by the 6 year statute of limitation (35 U.S.C. §286) from suing for damages incurred before 1959, *but it is not inequitable to require the defendant to defend the instant action.*" (emphasis added)

The rule of law applied by the District Court was that mere delay does not alone constitute laches and that to uphold a defense of laches there must be both (1) an unreasonable delay by plaintiff and (2) a showing that the defendant has been, or will be, damaged or prejudiced by the delay.

The Court of Appeals in reversing held that the District Court's denial of the defense of laches "was not in accordance with the prevailing principles of law" and applied a rule which provides that when plaintiff's delay exceeds six years (analogous statute of limitations), damage to defendant is presumed and the burden is placed on plaintiff to prove an excuse for the delay, failing which defendant is relieved of all liability. The Court of Appeals in applying this rule noted first that petitioner's delay exceeded six years and then without disturbing the District Court's finding that the delay did not "work an injustice" on respondent proceeded to "presume" damage and cast the burden on petitioner to excuse its delay. It then reviewed petitioner's excuses and found them inadequate. In this regard, petitioner herein does not challenge the Court's denial of its excuses for the delay. Petitioner's position is simply that until and unless the respondent comes forth with a showing of

damage as a result of the delay, petitioner's excuses are immaterial and the defense of laches must be denied. As indicated above the Court of Appeals "presumed" as a matter of law that respondent had been damaged by the delay. In so doing, it left undisturbed the District Court's finding that respondent had not in fact been damaged by the delay.

The "presumption of damage" rule applied by the Seventh Circuit below is unsound for the simple reason that it relieves respondent of all liability for its infringement of petitioner's valid patent even though it was not damaged or prejudiced by the delay in bringing suit. In the instant case respondent began manufacture and sale of the infringing device in 1955 and continued its infringement without interruption up through November 3, 1970 when the patent-in-suit expired. To relieve respondent of all liability even though it was not prejudiced by the delay is an extremely unjust result. As will now be developed the rule adopted by the Seventh Circuit below is in conflict with the rule applied by the Supreme Court and other Courts of Appeal.

REASONS FOR GRANTING THE WRIT

1. The Decision Below Conflicts With Decisions Of The U.S. Supreme Court.

The Court of Appeals in its decision below summarized its view of the law of laches as follows (p. 2 of Appendix hereto):

> "While there is some contrariety of views among the courts on these issues, we are convinced that by the great weight of authority, including the decisions of this court, the burden is on the patentee to excuse an unreasonable delay. We also think, even though

the authority is less compelling, that under such circumstances there is a presumption that an alleged infringer has been damaged."

In support of this rule the court cited the cases of *Gillons et al. v. Shell Co. of California*, 86 F. 2d 601 (9th Cir. 1936) and *Whitman v. Walt Disney Productions, Inc.*, 148 F. Supp. 37 (S.D. Cal. 1957) and quoted from the latter case as follows (p. 3 of Appendix hereto):

> "Although not bound by statutes of limitations relating to actions of law, courts of equity will generally draw analogies to them. In patent cases, the 'analogous' period is six years. [35 U.S.C. Sec. 286.] After this length of time, the delay is presumed to have injured defendant, unless the contrary can be shown by plaintiff. * * Reasonable diligence is a prerequisite to invoking the court's aid in the assertion of one's rights. * *

The rule applied below is in direct conflict with the rule on laches applied by the Supreme Court. In *Gutierrez v. Waterman S. S. Corp.*, 373 U.S. 206, 215 (1963) a longshoreman filed his libel action over a year after expiration of the analogous Puerto Rican statute of limitations. The Supreme Court reversed the First Circuit's denial of the claim on laches as follows:

> "Finally, we have concluded that the ruling of the trial court on laches is not plainly erroneous and should not have been reversed. *The test of laches is prejudice to the other party. Gardner v. Panama R. Co.*, 342 U.S. 29, 30-31; *Cities Service Co. v. Puerto Rico Co.*, 305 F. 2d 170, 171 (C.A. 1st Cir.) (both unreasonable delay and consequent prejudice). The trial court, having heard the witnesses testify, concluded that there was no prejudice. The Court of Appeals had no warrant to reverse this finding as plainly erroneous merely because in some way it

might have been more advantageous to respondent to question the witnesses sooner than it did. Nor can prejudice be inferred from a variance between the witnesses' testimony and respondent's written records of the unloading. The trial court which heard the witnesses was the proper judge of which evidence was credible; that records differ from testimony here does not mean that respondent was prejudiced by delay — it means that respondent was 'prejudiced' by the fact finder's refusal to believe its evidence and no more. (emphasis added)

"The Court of Appeals erred in setting the judgment of the District Court aside. The judgment of the Court of Appeals is reversed and the case remanded to the District Court for further proceedings consistent with this opinion."

This case is precisely in point since the delay involved exceeded the analogous statute of limitations. As stated by the Supreme Court *both* an unreasonable delay and actual prejudice to the defendant must be shown before the plaintiff's otherwise valid claim for relief can be denied. Clearly, the rule applied does not contemplate any "presumption of damage" by the mere passage of time as in the holding below.

Another pertinent decision is *Costello v. United States*, 365 U.S. 265, 282 (1961) wherein plaintiff, after a 27 year delay, brought a denaturalization proceeding against defendant. The Supreme Court cited authority to the effect that laches could not be brought against a sovereign body but went further in its opinion to hold as follows with respect to the defense of laches:

"None of the cases in this Court considered the question of the application of laches in a denaturalization proceeding. However, even if we assume the applicability of laches, we think that the peti-

tioner failed to prove both of the elements which are necessary to the recognition of the defense. *Laches requires proof of* (1) lack of diligence by the party against whom the defense is asserted, and (2) *prejudice to the party asserting the defense.* See *Galliher v. Cadwell*, 145 U.S. 368, 372; *Southern Pacific Co. v. Bogert*, 250 U.S. 483, 488-490; *Gardner v. Panama R. Co.*, 342 U.S. 29, 31. (emphasis added)

"The petitioner alleges lack of diligence in the Government's failure to proceed to revoke his certificate within a reasonable time after his arrest and trial under the 1925 indictment for conspiracy to violate the Prohibition Laws, or at least within a reasonable time after his admissions before the federal grand jury in 1939. There is no necessity to determine the merits of this argument, *for the record is clear that the petitioner was not prejudiced by the Government's delay in any way which satisfies this requisite of laches.*" (emphasis added)

The Supreme Court in this case makes it perfectly clear that prejudice cannot be presumed but must be proven by competent evidence.

Again, in *Northern Pacific Railway Co. v. Boyd*, 228 U.S. 482, 509 (1913) the Supreme Court in denying the defense of laches states the rule as follows:

"But the doctrine of estoppel by laches is not one which can be measured out in days and months, as though it were a statute of limitations. For what might be inexcusable delay in one case would not be inconsistent with dilegence in another, *and unless the non-action of the complainant operated to damage the defendant or to induce it to change its position*, there is no necessary estoppel arising from the mere lapse of time. *Townsend v. Vanderworker*, 160 U.S. 171, 186." (emphasis added)

Here again, the Supreme Court in passing on the defense of laches states that the defense will be denied unless the non-action of the complainant "operated" to damage the defendant or to induce it to change its position.

It is clear from the foregoing that the Seventh Circuit's rule on laches in the decision below, wherein damage to the defendant is presumed by the mere passage of time, is in direct conflict with the Supreme Court rule which requires actual proof that defendant was prejudiced by the delay in bringing suit.

2. The Decision Below Conflicts With Decisions Of Other Courts Of Appeal.

The "presumption of damage" rule on laches set forth in the decision below is in conflict with the decisions of other Courts of Appeal.

The Fifth Circuit in *Shaffer v. Rector Well Equipment Co.*, 155 F. 2d 344, 346, in reversing the District Court's holding of laches sets forth its rule as follows:

> "As has been often stated, laches is not determined solely by the mere passage of time. There must be other considerations that would make it inequitable for the suit to be prosecuted, *among the most essential of which is a showing that the defendant has been, or will be, damaged or prejudiced by the delay.* (emphasis added)
>
> * * *
>
> "[10] The burden of proof to establish the defense of laches is on the defendant [United Drug Co. v. Ireland, 8 Cir., 51 F. 2d 226; Kelley v. Boettcher, 8 Cir. 85 F. 55, 62; Rajah Auto Supply Co. v. Belvedere Screw & Machine Co., supra] *and the failure of defendant to prove injury or damage to*

> *itself — a vital element in the establishment of laches — would be fatal to such a defense, even if it had* maintained that defense in other respects." (emphasis added)

The Eighth Circuit in *Drum v. Turner*, 219 F. 188, 198 (8th Cir. 1914) stated the rule on laches as follows:

> "Delay and silence within the life of a patent, unaccompanied by any such acts or silence of the owner as amount to inducing deceit and thereby to an equitable estoppel, and the evidence fails to satisfy that there have been any such acts or omissions in this case, will not deprive such owner of his right to recover for an infringement of the exclusive right secured to him by the patent. It is no defense to a suit for an injunction and accounting on account of the continuing trespasses of an infringer that the latter has been trespassing on the rights of the owner of the patent for years with impunity."

The Tenth Circuit in *Potash Co. of America v. International Minerals and Chemicals Corp.*, 213 F. 2d 153, 154 (10th Cir. 1954) the rule on laches was defined as follows:

> "To constitute laches two elements must exist: first, inexcusable delay in instituting suit *and second, prejudice resulting to the defendant from such delay*. The existence of laches does not depend merely upon the lapse of time, but also upon the equities presented in the case." (emphasis added)

In this Tenth Circuit case the court affirmed the District Court's holding of laches but only upon findings that defendant had made capital investments aggregating several million dollars during the delay period. It was also noted that several important witnesses had died and that certain pertinent documents had been destroyed by fire.

The Third Circuit in *Westco-Chippewa Pump Co. v. Delaware Electric & Supply Co.*, 64 F. 2d 185, 186 (3rd Cir. 1933) sets forth its rule on laches as follows:

> "Or, to state this in the language of the plaintiff, there are two elements in laches: (1) lack of diligence on the part of the plaintiff; and (2) *injury to defendant due to the inaction of the plaintiff.*" (emphasis added)

The Third Circuit in the above case found that the position of the defendant had been materially and prejudicially changed because of the delay and thus affirmed the holding of laches. Such prejudicial change of position involved proof that defendant had invested a quarter million dollars in a new factory and new equipment.

In none of the foregoing decisions is there a suggestion that damage can be presumed simply by the passage of time. To the contrary, in each case the rule applied required proof that plaintiff's delay was unreasonable and in addition, that such delay did, in fact, prejudice the defendant. As indicated previously, in the present case there was a specific finding by the District Court that the defendant was not in fact prejudiced by plaintiff's delay. To presume damage in the face of this specific finding to the contrary conflicts with all the decisions cited above.

3. The Decision Below Conflicts With Prior Decisions Of The Seventh Circuit.

In the decision below four prior Seventh Circuit cases are cited in support of the Court's holdings on laches. A review of the cited cases indicates that all four are in conflict with the rule applied in the decision below.

In *Boris v. Hamilton Mfg. Co.*, 253 F. 2d 526, 529 (7th Cir. 1958), the Court applied a laches rule as follows:

> "Mere delay does not constitute laches but when deferment of action to enforce claimed rights is prolonged and inexcusable *and operates to defendant's material prejudice*, we find laches to be an effectual bar with the burden of satisfactory explanation devolving upon the plaintiff." (emphasis added)

In *Boris*, supra, plaintiff knew of defendant's activities for about ten years and said nothing. It was found that defendant had reason to believe that plaintiff had abandoned its claim. It was also noted that certain witnesses had died and pertinent records had been lost.

In *Brennan v. Hawley Products Co.*, 182 F. 2d 945, 948 (7th Cir. 1950), there was a delay of approximately eleven years during which period defendant expended large sums of money in extension of its manufacturing facilities. The Court also relied on the fact that two of defendant's most important witnesses had died. The Court found that the record shows not only a long delay but:

> "* * * also such a change in the condition of the defendant that it would be inequitable to allow plaintiff to enforce his claim for infringement."

In *Rome Grader & Machinery Corp. v. J. D. Adams Mfg. Co.*, 135 F. 2d 617, 619 (7th Cir. 1943), the Court defined the requisite elements of laches as follows:

> "Thus, there are two elements in effective laches; (1) lack of diligence on the part of plaintiff; (2) injury to defendant due to such lack."

Finally, in *Universal Coin Lock Co. v. American Sanitary Lock Co.*, 104 F. 2d 781, 782 (7th Cir. 1939) the Court stated the rule as follows:

> "There are, of course, certain guides which help solve the question. Mere delay unaccompanied by anything else, will not constitute laches. The delay must be inexcusable and prejudicial to the defendant. Its existence depends upon the equities of the case and ultimate inquiry as to which side will fall the balance of justice in sustaining or denying the defense."

None of the Seventh Circuit decisions cited in the decision below mention a "presumption of damage". To the contrary, in each decision cited above laches was found to be a bar to a patent owner's enforcement of an otherwise valid claim for infringement, only if the facts clearly established that such enforcement would work a material injustice upon defendant. The decision below, therefore, represents a clear departure from the prevailing authorities in the Seventh Circuit.

4. The Laches Rule Applied In The Decision Below Is Inconsistent With The Policy Of 35 U.S.C. §286.

The Statute provides:

> "Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action."

It is clear from the foregoing statute that in patent cases, unlike cases in tort, contract, etc., a plaintiff's right to recovery is never completely extinguished by the statute but only limited as to the period of recovery. The policy behind this special type of statute of limita-

tions is simply that a patent infringement is a continuing trespass and thus, as to the six year period immediately prior to suit the claim is always fresh and enforceable as far as the statute is concerned.

The above quoted statute contemplates enforcement of patent infringement claims in cases where suit is commenced more than six years after infringement began. If this were not true the statute would have no purpose for its existence. The "presumption of damage" rule, however, bars all recovery for infringement where the delay exceeds six years unless the delay is excused. Clearly the policy of the statute is to preserve plaintiff's rights for the six year period prior to suit because of the continuing nature of defendant's wrongful action. The "presumption of damage" rule applied in the decision below ignores the continuing injury to plaintiff by defendant's infringement and thus conflicts with the policy of the statute.

5. The Grant Of This Petition Is Important Because Of The Need For A Uniform Rule On The Defense Of Laches.

A review of Volume I, The United States Patents Quarterly, Cumulative Digest (for reports Vols. 132-151) 1962-1966 reveals that there were approximately 35 reported federal court cases in which there was a ruling on the defense of laches during the five year period covered. Since the Digest covers only reported decisions relating to patents, trademarks and copyrights, it is reasonable to assume that there were many additional decisions on the subject. It is clear that each year a substantial number of federal court litigants feel the effect

of whatever rule is applied. Accordingly, it is important to the uniform administration of justice in our Federal Courts that the conflicts currently existing between the various courts be resolved.

CONCLUSION

In view of the foregoing, a Writ of Certiorari should issue to review the Court of Appeals for the Seventh Circuit in the above entitled cause.

Respectfully submitted,

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Dated: December 21, 1970.

APPENDIX TO PETITION FOR WRIT OF CERTIORARI

OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

In the United States Court of Appeals For the Seventh Circuit

SEPTEMBER TERM, 1969 — APRIL SESSION, 1970

No. 17863

BAKER MANUFACTURING COMPANY,
Plaintiff-Appellee,
vs.
WHITEWATER MANUFACTURING COMPANY,
Defendant-Appellant.

Appeal from the United States District Court for the Eastern District of Wisconsin.

July 30, 1970

Before MAJOR and CASTLE, *Senior Circuit Judges*, and KILEY, *Circuit Judge*.

MAJOR, *Senior Circuit Judge*. This action, filed April 29, 1965, was brought by Baker Manufacturing Company (Baker) against Whitewater Manufacturing Company (Whitewater), charging infringement of patent No. 2,657,633, the subject matter of which was "Pump Construction." Whitewater defended on the grounds of invalidity and non-infringement. It also invoked numerous affirmative defenses, including laches, upon which it relied as a bar to the relief sought by Baker.

The district court in a memorandum opinion discussed in meticulous detail all aspects of the validity and infringement issues, both of which it decided adversely to Whitewater. The court also decided all affirmative defenses relied upon by Whitewater, including laches, ad-

versely to it. Pursuant thereto, the court entered its judgment on May 12, 1969, adjudicating the patent valid and infringed, and holding that the suit was not barred by laches. Whitewater was permanently enjoined and restrained from the manufacture and use of the equipment held to infringe during the unexpired term of the patent, and the court rendered judgment against it for damages to be determined by an accounting. From this judgment Whitewater appeals.

A thorough study of the factual situation leads us to the definite conclusion that the court erred in denying the defense of laches, and the judgment must be reversed for that reason. Such being our conclusion, we think there is no point in discussing the rather voluminous testimony as it relates to other issues. *See Potash Co. of America v. International Minerals & Chemical Corp.*, 213 F. 2d 153, 154. In approaching the issue of laches, we recognize, of course, the firmly established rule that a decision on such issue is addressed to the sound discretion of the trial judge, which will not be disturbed on appeal unless it is so clearly wrong as to amount to an abuse of discretion. We need not cite authorities in support of this rule because it is relied upon by Baker and recognized by Whitewater.

The district court rendered a memorandum opinion, including its findings relative to the issue of laches and the reasoning employed in exercising its discretion to deny the defense. Before discussing that opinion, as we shall later do in some detail, we think it appropriate to consider two issues treated at length in the briefs of the respective parties where there is an unreasonable delay in the commencement of a suit for infringement, (1) is the burden on the plaintiff to excuse such delay? and (2) in such case, is there a presumption that the alleged infringer has been damaged? In connection with these issues it must be kept in mind that Baker gave notice in 1956 to Whitewater of its claimed infringement and that suit was not commenced until April 1965, a period of more than nine years.

While there is some contrariety of views among the courts on these issues, we are convinced that by the great

weight of authority, including the decisions of this court, the burden is on the patentee to excuse an unreasonable delay. We also think, even though the authority is less compelling, that under such circumstances there is a presumption that an alleged infringer has been damaged.

Gillons et al. v. *Shell Co. of California*, 86 F. 2d 601 (CA-9), cert. den. 302 U.S. 689, apears to be the leading case on these issues, widely cited with approval in that and other Circuits. See *Kimberly Corporation* v. *Hartley Pen Company*, 237 F. 2d 294 (CA-9), and *Whitman* v. *Walt Disney Productions, Inc.*, 148 F. Supp. 37 (S.D. Calif.). In the latter case the court cited Gillons for the statements (page 39):

> "Although not bound by statutes of limitations relating to actions at law, courts of equity will generally draw analogies to them. In patent cases, the 'analogous' period is six years. [35 U.S.C. Sec. 286.] After this length of time, the delay *is presumed to have injured defendant, unless the contrary can be shown by plaintiff.* * * Reasonable diligence is a prerequisite to invoking the court's aid in the assertion of one's rights. * *
>
> "In the present case we find an extended period of apparent inactivity by plaintiff, running well beyond the analogous statutory period. *The burden is thus cast upon plaintiff to justify the long delay.* (Italics supplied.)"

And on the following page:

> "Nor has plaintiff satisfactorily explained this absence of diligence. In fact the only excuse offered is an alleged lack of funds. By the weight of authority, lack of funds is no excuse for delay in bringing suit. [Citing cases.]"

The reasoning of the district court in this case was approved by the court of appeals of that Circuit. *Whitman* v. *Walt Disney Productions, Inc.*, 263 F. 2d 229, 231 (CA-9).

The same Circuit in *Kimberly Corporation* v. *Hartley Pen Company*, supra, 301, cited Gillons for the statement:

> "In light of these facts, the long delay [four years]

of Kimberly in asserting its claim to equitable ownership of the Sears-Schrader patent in suit *is sufficient in itself to establish that the assertion of such a claim worked to the damage and prejudice of appellee* and fully justified the views of the lower court concerning the bar of laches. [Italics supplied.]"

In *General Electric Co.* v. *Sciaky Bros., Inc.*, 304 F. 2d 724 (CA-6), where the issue was squarely presented, the court stated (page 727):

"Where the unexplained delay [ten years] exceeded the applicable period of the statute of limitations, *injury to the defendant is presumed.* In a patent infringement action equitable principles are applied. Equity will not aid those who have slept on their rights. The failure of General Electric to take action over the many years constituted laches. [Citing many cases, including *Gillons* v. *Shell*, supra.] [Italics supplied.]"

In *Potash Co. of America* v. *International Minerals & Chemical Corp.*, 213 F. 2d 153, 156 (CA-10), the court affirmed a defense of laches with the statement:

"In patent cases it is inequitable for an infringer to deprive the owner of a patent of royalties and other rights which the patent affords. It is equally inequitable for the patent owner to sleep on his rights and lead an infringer to make large investments in the belief that he is not infringing or that the patent rights are not to be pressed."

In *Tracerlab, Inc.* v. *Industrial Nucleonics Corp.*, 204 F. Supp. 101, the district court of Massachusetts held that plaintiff's suit for patent infringement was barred because of its unexplained delay (eight years) in bringing suit, and stated (page 104):

"Plaintiff should have brought its action promptly when it knew its rights were being violated. It cannot expect relief from equity when it sleeps on its rights and permits defendant, in reliance on such inactivity, greatly to expand its business and then confronts defendant with a costly and burdensome action."

We do not agree with Baker's suggestion that the citation of this case is misleading as it was reversed, 313 F. 2d 97 (CA-1).

The trial court decided the issue on a motion for summary judgment and the appeals court reversed on the ground that the patentee was entitled to a trial on the factual issue of knowledge. In so doing it stated (page 102):

> "Invocation of the doctrine of laches requires not only the passage of time but an acquiescence—either express or implied—in the alleged wrong. *Hawkes* v. *First National Bank of Greenfield*, 264 Mass. 538, 544, 163 N.E. 246 (1928). Since acquiescence must be predicated on knowledge—again, either express or implied—and since we disagree with the trial judge's conclusion as to this factor, we find laches to be no bar at this stage of the proceeding. [Citing cases.]"

Cases relied upon by Baker which furnish no more than meager support for what we think is the minority rule on the burden of proof are *Ransburg Electro-Coating Corp.* v. *Nordson Corporation*, 293 F. Supp. 448, 484 (N.D. Ill.); *Galion Iron Works & Mfg. Co.* v. *Buffalo-Springfield Roller Co.*, 108 F. Supp. 811, 815 (S.D. Ohio); *Briggs* v. *M & J Diesel Locomotive Filter Corp. et al.*, 228 F. Supp. 26, 62 (N.D. Ill., affirmed 342 F. 2d 573, 7th Cir.). In Ransburg, laches appears to have been a minor issue as, in a 36-page opinion, it is disposed of in a single sentence (page 484), "The burden of proof rests upon the party asserting the defense of laches." In Briggs, cited in support of this statement, the issue of laches was also abruptly disposed of, and this court on appeal affirmed Briggs without mention of such defense. In Gilion, an Ohio district court held that the burden of proof to establish the defense of laches was on the defendant, citing *Shaffer et al.* v. *Rector Well Equipment Co., Inc.*, 155 F. 2d 344, 347 (CA-5).

On the burden of proof issue, we have perhaps devoted more attention to the cases than necessary because the decisions of this court, as we shall now show, firmly stand for the rule that a patentee who unreasonably delays as-

serting his rights carries the burden to prove his excuse for such delay.

In *Universal Coin Lock Co.* v. *American Sanitary Lock Co. et al.*, 104 F. 2d 781, 782, the question for decision was, "Has plaintiff been guilty of laches amounting to an estoppel against its claim for damages?" In answering this question in the affirmative, the court cited with approval *Window Glass Machine Co.* v. *Pittsburg Plate Glass Co.*, 284 Fed. 645, 650 (CA-3), and *Westco-Chippewa Pump Co.* v. *Delaware Electric & Supply Co.*, 64 F. 2d 185, 187 (CA-3). We quoted from Window Glass (page 782):

> "'When delay in prosecuting a claim is so unusual as to carry with it the appearance of being unreasonable, as in this case, *there devolves upon a plaintiff the burden of disclosing the impediments to an earlier action*; of showing, if ignorant of his rights, how he had remained in ignorance so long; and of revealing how and when he first came to a knowledge of the matters on which he relies in his bill for relief. [Italics supplied.]'"

We quoted from Westco-Chippewa (page 783):

> "'The evidence does not disclose any excuse justifying this long delay. No case is an exact precedent for another because the facts in no two cases are exactly alike, but a uniform principle runs through all the cases. *They proceed on the theory that the plaintiff knows his rights and has had ample opportunity to establish them in the proper forum; that, because of delay, the defendant has good reason to think that the plaintiff believes his asserted rights to be worthless or that he has abandoned them.* * *
>
> "'The question of laches then assumes the aspect of *the plaintiff having stood by and having done nothing to protect its rights for seven years* while the defendant was building up a business, which it thought was legitimate, and spending money in constructing a large plant. [Italics supplied.]'"

We also quoted (page 783) from *Dwight & Lloyd Sintering Co.* v. *Greenawalt*, 27 F. 2d 823, 827 (CA-2):

"'Each year as it passes inevitably builds up a belief, if nothing has been done, that the patentee does not suppose his rights invaded. * *'"

In *Rome Grader & Machinery Corp.* v. *J. D. Adams Mfg. Co.*, 135 F. 2d 617, this court in affirming the district court which had ruled in favor of the defense of laches (delay of seven years) stated (page 619):

"Thus, when deferment of action is so unusual as to appear unreasonable, *upon plaintiff devolves the burden of disclosing and explaining the impediments to early action; of showing, if ignorant of his rights, how or why he has so long remained in ignorance and of revealing how and when he first acquired knowledge of the matters of which he relies as an excuse.* [Citing cases.]

"Of necessity there must be a balancing of equities. It is seemingly unjust that any one should be allowed to infringe a valid patent and deprive its owner of royalty to which the patent entitles him. On the other hand, it is inequitable for a person to sleep on his rights for years and lead another to think that the latter is safe in following counsel's advice that he may manufacture a proposed device with impunity, and then, when he has made extensive investments and built up a prosperous business, penalize him and innocent investors for doing what might have been averted by timely action. Thus, there are two elements in effective laches; (1) Lack of diligence on the part of the plaintiff; (2) injury to defendant due to such lack. [Citing cases.] [Italics supplied.]"

In *Brennan* v. *Hawley Products Co.*, 182 F. 2d 945, we again affirmed the district court which had ruled in favor of the defense of laches (delay of eight years). In doing so we cited and quoted with approval our decision in *Universal Coin Lock Co.* v. *American Sanitary Lock Co., et al.*, supra, and stated (page 548):

"In the case at bar the record shows not only a long delay on the part of the plaintiff in instituting litigation on his claims of infringement, but also such a change in the condition of the defendant that it would

be inequitable to allow plaintiff to enforce his claim for infringement. Not only has the defendant expended large sums of money in the extension of its manufacturing facilities, but two of its most important witnesses have passed away.

"*The plaintiff offers no legally adequate excuse for his inaction.* * * [Italics supplied.]"

In *Boris* v. *Hamilton Manufacturing Company*, 253 F.2d 526, this court again affirmed a judgment dismissing a suit for patent infringement on the ground of laches (delay of ten years), and stated (page 529):

"Mere delay does not constitute laches but when deferment of action to enforce claimed rights is prolonged and inexcusable and operates to defendant's material prejudice, we find laches to be an effectual bar, *with the burden of satisfactory explanation devolving upon the plaintiff. Rome Grader & Machinery Corp.* v. *J. D. Adams Mfg. Co.*, 7 Cir., 1943, 135 F.2d 617, 619. Laches is an equitable doctrine, not fixed by any unyielding measure, but to be determined in each case under its factual situation, and allowable '"where the enforcement of the asserted right would work injustice."' *Potash Co. of America* v. *International Minerals & Chemical Corp.*, 10 Cir., 1954, 213 F.2d 153, 155, and cases therein cited. [Italics supplied.]"

We have no way of knowing the reasoning employed by the district court in deciding the issue of laches adversely to Whitewater other than that contained in its memorandum opinion. Nowhere in its opinion does it state upon which party it placed the burden of proof, but if Baker made the same argument there as it does here, as we presume it did, it must have been upon Whitewater. In fact, its opinion so indicates.

We adopt the following statement from the court's unpublished opinion:

"In 1955, the defendant began using the O-ring combination. In February, 1956, Baker gave the defendant written notice of infringement. A conference

was held at which Messrs. Tubbs, Stevenson and Baker were present; at that time, the defendant neither admitted nor denied infringement. According to Mr. Baker, the defendant stated that it needed time to consider the Baker patent.

"On September 19, 1957, Mr. Baker wrote to Messrs. Stevenson and Tubbs, stating 'I believe we can now resume the negotiations which we tabled about a year ago * *.' (Pl. Exh. 11). The letter went on to propose licensing agreements. The parties have stipulated that (1) the defendant neither attempted nor did in fact communicate with the plaintiff regarding the patent in suit subsequent to September 19, 1957 through April 29, 1965, [57] the date this suit was instituted, and (2) the defendant does not know of any written or oral communication in which the plaintiff represented that the charge of infringement had been settled."

The court in the exercise of its discretion to deny the defense of laches reasoned:

"Notwithstanding the plaintiff's delay, I do not believe that the defendant is justified in its asserted belief that the plaintiff had abandoned its claim. The evidence reveals that the defendant received early notice of infringement; that after initial negotiations, the defendant ignored the plaintiff's request for further negotiations and settlement; and that at no time did the plaintiff suggest that it was abandoning its claim of infringement."

In our view, this reasoning erroneously places the burden on Whitewater, the alleged infringer, to take affirmative action which would rescue Baker from its inexcusable neglect over a period of nine years, contrary to the decisions of this court previously discussed. An alleged infringer acting in good faith is under no obligation, so far as we are aware, to take affirmative action relative to the alleged infringement. Of course, it can proceed under the Federal Declaratory Judgment Act, Title 28 U.S.C.A. Sec. 2201, for an adjudication of its rights, but this court has held that it is not obligated

to pursue this remedy. *Brennan* v. *Hawley Products Co.*, 182 F.2d 945, 949. The fact that Baker did not suggest that it was abandoning its claim of infringement is irrelevant. The important fact is that at no time did it notify Whitewater in any manner that it was pressing its claim.

Baker's exhibit 11 (cited in the trial court's opinion, supra) is in our view neither beneficial to Baker nor detrimental to Whitewater on the issue of laches. The letter is from Baker, directed to both Tubbs and Whitewater, and has to do with a patent owned by Tubbs as well as the patent involved in this suit. In pertinent part it states:

> "We, therefore, propose that Mr. Tubbs sell us a non-exclusive, non-transferable license under U.S. Patent 2,793,699 to manufacture and sell structures, defined by drawings included as exhibits in the license, for the life of the patent and that we sell the Whitewater Manufacturing Company a non-exclusive, non-transferable license under U.S. Patent 2,657,633 to manufacture and sell structures defined by drawings included as exhibits in the license for the life of the patent."

This letter does not renew the charge of infringement which Baker made against Whitewater in 1956. In fact, it specifically states, "It be understood that neither party is admitting infringement of any patent * *." In a P.S. to the letter, Baker states, "I hope we can get together shortly * *."

This was the last communication between Baker and Whitewater relative to the patent in suit. In substance, it proposed nothing more than that Baker would take a license from Tubbs on his patent and sell Whitewater a license on the patent in suit. Some eight years later, more than nine years from the time Baker gave Whitewater notice of infringement, the present suit was instituted.

This cross-licensing proposal on the part of Baker is similar to the situation described in *General Electric Company* v. *Sciaky Bros., Inc.*, 304 F.2d 724, 727 (CA-6):

> "The fact that General Electric wanted licenses on Scinky's patents and negotiated with Scinky on a cross licensing basis did not in our judgment excuse the long delay in enforcing its own rights. The District Court found that in so doing General Electric was engaged in a 'fishing expedition.' In any event, the negotiations between the parties ceased in 1951 and General Electric took no action until seven years later."

Baker's reason for its long delay in pursuing its patent rights is aptly described in the opinion of the district court:

> "Mr. Baker testified that after failing to receive a response, he concluded that further negotiations would be fruitless and proceeded to consult counsel with respect to what the next course of action would be, particularly as to the expense involved in prosecuting an infringement action. The plaintiff's attorney estimated that such an action would cost approximately $15,000. At the same time, Baker conducted a sales survey to determine the volume of sales of its competitors' pitless adaptors, including Whitewater's. As a result of such survey, the plaintiff concluded that due to the relatively modest potential recovery as compared to the litigation expense, it would be unwise to proceed then with a law suit."

Thus, Baker's excuse for the long delay in its simplest form rests on its decision to remain silent and wait until litigation would be worthwhile. It purposely adhered to this course for a period of at least seven years. In the meantime it kept Whitewater under surveillance for the purpose of determining its development and growth. Only when it was satisfied in this respect did it press its claim for infringement by filing the instant case. It is pertinent to note that Baker does not claim that it was at any time a pauper or without the means to finance a law suit; in fact, the record clearly indicates to the contrary.

The only case relied upon by Baker in support of its excuse for delay until its recovery could be greater is *Tripp* v. *United States*, 406 F.2d 1066, 1071 (U.S. Ct. Cl.),

where suit was brought against the government by the patentee nearly five years after giving written notice of infringement. The court stated:

> "Defendant was not prejudiced by the timing of plaintiff's suit as it had, from the date of issue of the patent, notice of plaintiff's intent to demand compensation, *an intent which was consistently expressed.* Plaintiff, an individual, could reasonably delay bringing suit until he could determine that the extent of possible infringement made litigation monetarily ripe. [Italics supplied.]"

On the same page the court further emphasized that the patentee "*has consistently demanded compensation for unauthorized usage by the Government of his patented invention* [italics supplied]." In marked contrast, in the instant case Baker at no time demanded compensation during the period of nine years after it had given notice of infringement and remained silent for seven years after it had offered Whitewater a license. In our view, Tripp is of no benefit to Baker.

As an additional excuse, not mentioned by the district court, Baker on brief suggests that early in 1962 it was confronted with the immediate obligation of defending two patent suits involving a very large potential liability. It argues that due to the pressure of this litigation it was unable to handle other patent litigation until 1965, when the instant suit was filed. We think this excuse without merit. It does not explain why Baker remained silent from 1957 to 1962, a five-year period. It is unrealistic to believe that Baker became so involved in other litigation that it could not file a suit against Whitewater for infringement and depend upon a court to give it such time to prepare and try its case as circumstances might justify. It certainly could have found time in 1962, as it could have in any of the preceding five years, to notify Whitewater that it was pressing its claim of infringement.

As we have shown from the court's memorandum opinion, its reasoning in denying the defense of laches was not in accordance with the prevailing principles of law. We hold that the court erred in denying the

defense of laches, and that such defense is a bar to any relief sought by Baker against Whitewater.

The judgment is, therefore, reversed and the cause remanded, with directions that the suit be dismissed, with costs taxed to Baker.

A true Copy:

Teste:

.....

Clerk of the United States Court of Appeals for the Seventh Circuit.

United States Court of Appeals
FOR THE SEVENTH CIRCUIT
Chicago, Illinois 60604

Thursday, July 30, 1970

Before

Hon. J. EARL MAJOR, Senior Circuit Judge

Hon. LATHAM CASTLE, Senior Circuit Judge

Hon. ROGER J. KILEY, Circuit Judge

BAKER MANUFACTURING COMPANY,
Plaintiff-Appellee,

vs.

No. 17063 WHITEWATER MANUFACTURING COMPANY,
Defendant-Appellant.

Appeal from the United States District Court for the Eastern District of Wisconsin.

This cause came on to be heard on the transcript of the record from the United States District Court for the Eastern District of Wisconsin, and was argued by counsel.

On consideration whereof, it is ordered and adjudged by this court that the judgment of the said District Court in this cause appealed from be, and the same is hereby, REVERSED, with costs, and that this cause be, and it is hereby, REMANDED to the said District Court with directions that the suit be dismissed, with costs taxed to Baker Manufacturing Company, in accordance with the opinion of this Court filed this day.

United States Court of Appeals

For the Seventh Circuit
Chicago, Illinois 60604

Thursday, SEPTEMBER 24, 19 70

Before

Hon. J. EARL MAJOR, Sr. Circuit Judge

Hon. LATHAM CASTLE, Sr. Circuit Judge

Hon. ROGER J. KILEY, Circuit Judge

BAKER MANUFACTURING COMPANY,
Plaintiff-Appellee,

No. 17069 vs.

WESTINGHOUSE MANUFACTURING COMPANY,
Defendant-Appellant.

Appeal from the United States District Court for the Eastern District of Wisconsin.

IT IS ORDERED by the Court that the petition for rehearing filed in the above-entitled cause be, and the same is hereby denied.

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IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1970

No. 1152

BAKER MANUFACTURING CO.,
a corporation,

Petitioner,

vs.

WHITEWATER MANUFACTURING CO.,
a corporation,

Respondent.

BRIEF OPPOSING PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

QUESTIONS PRESENTED

1. Petitioner's first question is not presented by the record. The question assumes that the Court of Appeals for the Seventh Circuit held that the defense of laches does not require the elements (1) lack of diligence, (2) prejudice to the party asserting defense. In fact the Court of Appeals held that prejudice would be presumed where the delay was unreasonable and unexcusable. The presumption was not overcome. Thus both elements were present.

2. Petitioner's second question is not presented by the record. The Court of Appeals did not presume damage to respondent by the *mere* passage of time. It presumed damage from *unreasonable* delay, and from petitioner's failure to meet its burden of proof that such delay was excusable. It may also have relied on District Court findings showing prejudice to respondent.

The holding by the District Court that it would not be unjust to require respondent to defend the action is not undisturbed. The judgment of the Court of Appeals could not have been rendered without reversing that conclusion.

3. Petitioner's third question is not presented by the record. As noted above the Court of Appeals did not adopt a rule presuming injury to the defendant by the mere passage of time. Rather it followed a long established rule presuming injury to the defendant where the delay is unreasonable, and held that the analogous statute of limitations is a measure of the unreasonableness. The burden of proof was thus on the petitioner, rather than on respondent as improperly held by the District Court. Petitioner failed to meet that burden.

Petitioner states that 35 U.S.C. 286, which denies recovery for patent infringement committed more than six years prior to filing the complaint, is the *only* limitation on relief. There is no indication in that section that it is the only limitation on patent actions. Petitioner's assumed policy would leave no room for laches or any other equitable doctrine, such as the clean hands doctrine which forbids relief to those who violate the antitrust laws or commit similar acts, etc.

No question is properly presented by petitioner.

STATEMENT OF THE CASE

In general the facts stated by petitioner are correct, but the following corrections and additional facts are required.

Petitioner's reference to a District Court finding that respondent had not in fact been damaged by the delay is incorrect. The conclusion of the lower court related to unfairness and not to damage (A-40). The court did not anywhere indicate that its denial of the defense of laches was based on a finding that defendant suffered no prejudice through the delay. The discussion appears to indicate that the trial court felt that defendant was unjustified in believing that plaintiff no longer pressed its charge of infringement (A-40). The Seventh Circuit correctly held that this placed an improper burden on defendant and accordingly that the trial court's decision was incorrect as a matter of law (Trial Court Opinion A-40, Court of Appeals Opinion A-2, 3). Thus the Court of Appeals did not overturn any factual finding of the District Court, nor even find a fact which the District Court had failed to find, but relied on a presumption of damage which the District Court had failed to apply.

Petitioner states that its letter of September 19, 1957 offered to "settle the controversy". As pointed out by the Court of Appeals the letter was an offer of cross-license which did not repeat the charge of infringement and which specifically acknowledged that respondent denied infringement (A-10, Baker's Exhibit 11, Appendix pp. 355, 226).

Petitioner refers to a delay in bringing suit of seven years and seven months. It fails to draw attention to the

fact that the total delay in bringing suit was over nine years, as held by the Court of Appeals (A-2), and was held unreasonable.

At page 4 of plaintiff's brief, the plaintiff indicates that the rule of law applied by the District Court was that "mere delay does not alone constitute laches and that to uphold a defense of laches there must be both (1) an unreasonable delay by plaintiff and (2) a showing that defendant has been, or will be, damaged or prejudiced by the delay." The District Court did not specifically adopt that test, nor did it clarify which element was found lacking if it did apply it. It found specific facts showing prejudice to respondent (A-36, 38) and put the burden on respondent to explain the delay. It thus appears that element (1) was found wanting. In any case the Court of Appeals held that the decision of the District Court was reversible error after stating that it would reverse only for a clear abuse of discretion (A-2, 9, 12). The Court of Appeals cast upon petitioner the burden of (1) excusing an unreasonable delay, and (2) disproving the presumption of damage which flows from that delay (A-9-12). Plaintiff has not met either burden but attempts to obtain a ruling of law which would free it from both burdens. In fact plaintiff specifically indicates in its petition for certiorari that it does not challenge the court's denial of its excuses for the delay (Petitioner's Brief, p. 4).

Petitioner demands a showing of damage by respondent. Respondent's answer is twofold.

Prejudice to respondent has been shown. The Court of Appeals was correct in presuming damage where the delay is unreasonable. Even if damage had not been presumed, proof of damage is ample (see pages 5 and 6).

Petitioner states that the Court of Appeals did not disturb the District Court's finding that the delay did not work an injustice on respondent (A-40). The Court of Appeals necessarily overruled that conclusion when it reversed the District Court (A-12, 13). In any decision as to an equitable defense, a conclusion as to where the equities lie is crucial. Moreover, such a conclusion is implicit in the holding that petitioner's delay of over nine years is unreasonable (A-3, 9-12).

Petitioner further states that the Court of Appeals left undisturbed the District Court finding that respondent had not been damaged by the delay. Neither the District Court (A-37 to A-40) nor the Court of Appeals (A-1 to A-13) found that defendant had *not* been prejudiced by delay. The CA-7 did hold that there is a *presumption* of such damage. The District Court decision points out particular items of prejudice to respondent (A-36, 38) even though it did not rule in favor of respondent on the defense of laches.

One of the issues in the District Court was whether Mr. Watry, one of the named inventors in the patent in suit, was in fact an inventor (A-35 to 37). Another issue was whether plaintiff was guilty of unclean hands in deliberately including Mr. Watry as an inventor with full knowledge of the fact that he was not such an inventor, and in knowingly taking an assignment of subject matter belonging to the State of Wisconsin. Respondent asserted that any contribution made by Mr. Watry to the alleged invention of the patent in suit was made while he was an official of the State of Wisconsin whose duties included promoting standards of well sanitation by promoting the use of structures which would achieve the objectives of the patent in suit, and further

asserted that Mr. Watry's contribution to the structure shown in the patent was made public more than one year prior to the application for the patent in suit. Much of the evidence was Mr. Watry's own testimony. The District Court found (A-36) that Mr. Watry understandably had some difficulty remembering. Prejudice is also shown by the District Court (A-38) quoting petitioner's president showing the change in the (alleged) infringement situation during petitioner's long silence. Respondent increased its infringing business and its employees devoted thereto (Baker's Exhibit 38, App. 388, 227; Whitewater Exhibit 15-16, App. 532-3, 229-30, Baker Testimony App. 140), and admittedly had non-infringing structures it could have made instead (App. 190). Were the respondent to be held liable for damages for the last six years of the alleged infringement, the damages would be many times greater on defendant's production during those years than it would have been during the period just after plaintiff's charge of infringement in 1956 (Baker Exhibit 38, Whitewater Exhibit 15-16, supra.).

The statement of the case by petitioner fails to indicate that petitioner failed to press its negotiations for a period of over a year prior to the letter of September 19, 1957 (A-8, 9), that it did not reassert its charge of infringement in 1957 but rather recognized that defendant denied infringement without reasserting its charge. The letter of September 19, 1957 was an offer of a cross-license, not a charge of infringement (A-9, 10). That letter was followed by a deliberate additional delay of seven years and seven months during which petitioner never reasserted its charge of infringement despite the increasing sales of respondent which were known to petitioner (A-11). Petitioner made an anonymous market survey.

preserving its appearing of inaction (A-38, App. 129-32). These facts justified respondent's belief that the charge had been abandoned.

THIS CASE DOES NOT WARRANT ACTION BY THIS COURT

The asserted conflicts urged by Petitioner are not real. They depend on differences in fact backgrounds of the cases, on the relative equities between each set of parties, and on petitioner's insistence that the instant case be analyzed as one of "mere delay" despite the holding of the Seventh Circuit Court of Appeals that the rules applicable are those relating to "unreasonable delay". Petitioner has not requested a ruling on the point. Many of petitioner's cases allegedly demonstrating conflict with the decision below are distinguishable, as they relate to mere delay for periods shorter than the six years of the analogous statute of limitations.

Respondent notes that in general such an issue, relating solely to one fact situation, is not taken up by this court on writ of certiorari. Petitioner says that the many cases on laches require a uniform rule, but mere numbers of cases count little unless the facts are similar. Petitioner does not so state.

THE POLICY OF THE PATENT STATUTE IS NOT IN CONFLICT WITH THE EQUITABLE RULE OF LACHES

The asserted conflict with 35 U.S.C. 286 does not exist. Laches and the other equitable defenses long antedate the predecessor to the statute (first enacted March 3, 1897, c. 391, §6, 29 Stat. 694) and continued unchanged

after its passage. The doctrine of laches has always existed concurrently with statutes of limitation, modifying their effect. Petitioner's rationale would leave no room for equitable defenses at all. Had Congress so intended, it has had ample time to say so between 1897 and the present. It particularly had ample opportunity in the general codification and revision comprising the Patent Act of 1952, now 35 U.S. Code. It has not done so. This court and all others having equitable powers remain free to apply the doctrine of laches.

The question of compatibility between the equitable defense of laches and statutes of limitation was discussed in *Gillons v. Shell*, 86 F. 2d 600 at 610 (CCA-9, 1936). The court specifically stated that the defense was available even where the delay was *less* than the period of limitations. The line of cases which shifts the burden of proof to plaintiff where the delay is greater than the period of limitation assumes that the defense is compatible with a statute of limitations. See for instance *Gillons v. Shell*, supra; *Kelly v. Boettcher*, 85 Fed. 55, at 62-3 (CCA-8, 1898) (just after passage of the statute in 1897); *United Drug v. Ireland Candy Co.*, 51 F. 2d 226 at 232 (CCA-8, 1931) and cases cited therein.

The defense of laches was developed by chancellors in equity, hearing cases directly related to cases at law. In many cases the latter were subject to statutes of limitations but not the former. Laches as a defense developed to correct the inequity of rigid reliance on periods of limitation. Petitioner has not shown any reason of public importance why the law should be cut away from its historic context. It suggests only that it should not have the burden of explaining its delay, or of disproving damage, in a case wherein it deliberately delayed longer

than the period of limitations, with full knowledge of the facts, giving the appearance of abandoning its claim, while defendant expanded its potential liability, its employment, and the kinds of alleged infringing devices, and while witnesses forgot facts crucial to the defense.

THE DECISION IN THIS CASE DOES NOT CONFLICT WITH OTHER DECISIONS ON LACHES

The decision in this case by the Court of Appeals does not conflict with *Gutierrez vs. Waterman S.S. Corp.*, 373 U.S. 206, 215 (1963). In that case the Supreme Court said that the test of laches is prejudice to the other party. In that case there was a finding that there was no prejudice. In this case there is no finding by the trial court that defendant was not prejudiced. The trial court put the onus for the delay, and the burden of proof, upon defendant (A-37, 38, 40) and held that it was not unjust to defendant to have to defend this suit. These holdings were reversed. The trial court did find that Mr. Watry, a crucial witness as to the unclean hands defenses, had difficulty remembering the facts after so long (A-36). It also found that plaintiff intentionally waited to start suit until after the damages increased (A-38, center & bottom). These fact findings were not reversed.

The Court of Appeals found that after unreasonable delay is proven by respondent, there is a presumption that defendant was prejudiced (A-3). Having made such a finding it did not find it necessary to discuss the fact evidence but it must have believed that the evidence was at least consistent with the presumption of damage or it would have held the presumption to have been overcome.

The circumstances of this case are radically different from those of *Gutierrez v. Waterman* since the damages here are measured by a reasonable royalty for the sales volume, which as shown by the evidence increased steadily during the period of the delay. In *Gutierrez* the damages were for injuries which did not change during the delay. Moreover, the delay was much shorter than that present in this case. Even if we grant plaintiff's premise that both an unreasonable delay and *actual* damage are necessary, those conditions have been met.

In *Costello v. United States*, 81 Sup. Ct. 534, 365 U.S. 279 (1961), the Court specifically found that although the delay had dimmed the memory of some witnesses that this had *benefited* the petitioner since it impeded the government in meeting a heavy burden of proof in a de-naturalization proceeding.

Northern Pacific v. Boyd, 228 U.S. 482, was a case in which the party charged with laches was in fact diligent in reducing his claim to judgment so that the later suit could be brought.

Petitioner's argument seems to assume that the prejudice to defendant in this case is some unspecified legal fiction having no relationship to the facts. Actually, it is more in the nature of a determination of the burden of proof, the Court of Appeals having held that after defendant proved an unreasonable delay, thus meeting its burden, the burden was on plaintiff to show that the delay was excusable and that it had not prejudiced the defendant. Here the plaintiff never put in any evidence even tending to disprove defendant's evidence of prejudice and in fact put in evidence of its own showing the prejudice (Baker Exhibit 38, App. 388, 227, Baker testimony App. 128-132, 140). As the plaintiff would re-

quire at the top of page 9 of its brief, the delay in this case was such as to prejudice the defendant.

Each decision on laches is unique, depending on the relative equities between the parties.

In general, cases on laches fall into four categories: 1) the cases in which no significant delay is found, 2) those held to involve "mere delay", 3) those held to involve unreasonable delay, and 4) those in which there are specific acts leading to equitable estoppel. Only category 3) requires discussion here.

Category 3) is illustrated by the following cases:

Gillons v. Shell, 86 F. 2d 600 (CCA-9, 1936)

Kelly v. Boettcher, 85 Fed. 55, 62-3 (CCA-8, 1898)

United Drug v. Ireland Candy, 51 F. 2d 226, 232 (CCA-8, 1931)

Window Glass Mach. Co. v. Pittsburgh Plate Glass, 184 Fed. 645, 649-52 (CCA-3, 1922)

Holmberg v. Armbrecht, 327 U.S. 392, 66 S. Ct. 582, 90 L. Ed. 743 (1946)

Prevost v. Gratz, 19 U.S. 481, 6 Wheat. 481, 5 L. Ed. 311 (1821)

Russell v. Todd, 309 U.S. 280, 60 S. Ct. 527, 84 L. Ed. 754 (1940)

Sullivan v Portland & K. R. Co., 94 U.S., 806, 24 L. Ed. 324 (1876)

Lansdale v. Smith, 106 U.S. 391, 1 S. Ct. 350, 27 L. Ed. 219 (1882)

United Drug v. *Rectanus*, 248 U.S. 90, 39 S. Ct. 48 (1918) (discusses possibility of barring damages but not an injunction)

Mosler & Co. v. *Lurie*, 209 Fed. 364, 370-71 (CCA-2, 1913) (bars damages but not injunction)

Universal Coin Lock v. *American Sanitary Lock*, 104 F. 2d 781 (CCA-7, 1939)

Meyer Mfg. Co. v. *Miller Mfg. Co.*, 24 F. 2d 905 (CCA-7, 1928)

The Seventh Circuit Court of Appeals held that this case involves unreasonable delay (A-3, 9, 12) adopting the fact findings of the District Court (A-8, 11) but rejecting its conclusions therefrom (A-9) because the burden of proof was erroneously put on respondent to excuse the delay (A-9, 10). The Court of Appeals properly held that the burden is on petitioner, the patentee, to prove that the delay is excusable, once unreasonable delay is shown, and held that where the delay is unreasonable and beyond the analogous statute of limitations prejudice to defendant-respondent is presumed (A-3). *Gillons* v. *Shell*, 86 F. 2d 600 (CCA-9, 1936); *Kelly* v. *Boettcher*, 85 Fed. 55, 62-3 (CCA-8, 1898); *United Drug* v. *Ireland Candy*, 51 F. 2d 226, 232 (CCA-8, 1931).

Laches will ordinarily bar an accounting, even in the case of mere delay, although an injunction will ordinarily be available in such cases.

Window Glass Mach. Co. v. *Pittsburgh Plate Glass*, 284 Fed. 645 (CCA-3, 1922)

Meyer Mfg. Co. v. Miller Mfg. Co., 24 F. 2d 505 (CCA-7, 1928)

Simpson v. Newport News, 18 F. 2d 318 (D.C., S.D.N.Y., 1920)

Rome Grader v. Adams Mfg. Co., 135 F. 2d 617 (CCA-7, 1943)

If the Court of Appeals incorrectly denied injunctive relief, damages should be barred on this ground. The net effect would be the same since the patent has expired. In effect the issues sought to be raised by petitioner, if properly presented, are moot.

THE COURT OF APPEALS CORRECTLY PRESUMED DAMAGE TO RESPONDENT FROM AN UNREASONABLE DELAY BY PETITIONER

The rule of *Gillons v. Shell*, 85 F. 2d 600 (CCA-9, 1936) appropriately shifts the burden of proof to petitioner to show that respondent was *not* damaged by petitioner's unreasonable delay. The delay was much longer than the analogous statute of limitations, and gave the appearance that the claim had been abandoned. Petitioner apparently views *Gillons v. Shell* as an anomaly formerly limited to the Ninth Circuit but see *Kelly v. Boettcher*, 85 Fed. 55, 62-3 (CCA-8, 1898) and *United Drug v. Ireland Candy Co.*, 51 F. 2d 226, 232 (CCA-8, 1931), and the numerous cases from other circuits requiring plaintiffs to justify unusual delay, as cited by the Court of Appeals in this case.

It accords with conscience that when respondent has proved an unreasonable delay, the burden should shift to petitioner to justify its lack of diligence. Moreover, some of the cases point out that the memories of witnesses inevitably dim with time, and that failure to act appears to a defendant to show abandonment of the asserted claim, thus furnishing a basis for the presumption. Of course petitioner was free to meet these burdens of proof, if the facts warranted. It admits it has not done so (Petitioner's Brief, p. 4) and that the delay is unexcused.

The Court of Appeals cited, correctly, many more cases justifying its decision (A-3 through 8).

The decision below did not reach the question of actual proof of prejudice to respondent from the delay, but the trial court held that the memory of a crucial witness was impaired with reference to a group of related unclean hands defenses. Also it is not denied that petitioner could recover far more today in money damages than it could have recovered in 1956 or 1957, and that the delay was deliberate, with full knowledge of the alleged infringement, with the intent of waiting until the recoverable damages should be greater (App. 129-135, 140). Even petitioner's market survey was anonymous, preserving the appearance that the claim was abandoned (App. 129). Respondent reserves the question of actual damage if certiorari is granted.

CONCLUSION

The decision below was correct.

There is no overriding public interest in this case. The application of the rule of laches to the case of an ex-

pired patent is significant only to the parties. If the decision below is reversed, all of the other issues would return to the Court of Appeals despite expiration of the patent.

The Petition for Certiorari should be denied.

Respectfully submitted,

ALLAN B. WHEELER
606 W. Wisconsin Avenue
Milwaukee, Wis. 53203
Counsel for Respondent

Dated January 28, 1971

IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1970

No. 1152

BAKER MANUFACTURING CO.,
a corporation,

Petitioner,

vs.

WHITEWATER MANUFACTURING CO.,
a corporation,

Respondent.

PETITIONER'S REPLY AND SUPPLEMENTAL BRIEF FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Respondent, in its brief (p. 1-2), challenges the three "Questions Presented" by petitioner. As to the first question, respondent incorrectly restates the question and then proceeds to criticize it. The key word in the question is "proof" which respondent ignores in its comments. The Court of Appeals decision did not require "proof" that defendant was prejudiced by the delay but instead presumed, as a matter of law, that defendant was damaged. The rule requiring proof of damage stated in petitioner's question No. 1 was taken verbatim from the recent Supreme Court decision of *Costello v. United States*, 365 U.S. 265, 282 (1961). Such rule, it is submitted, is in direct conflict with the "presumption of damage" rule applied by the Court of Appeals.

Respondent's challenge to questions 2 and 3 is bottomed on an alleged difference between "mere" delay and "unreasonable" delay and suggests that an unreasonable delay involves something more than the passage of time. It is abundantly clear that the rule applied by the Court of Appeals involved only a consideration of the length of the delay and involved no consideration whatsoever as to the effect the delay had on the defendant. This is what petitioner means when it states that the Court of Appeals presumed damage by the "mere" passage of time.

Respondent, apparently sensing the basic defect in the "presumption of damage" rule announced and followed by the Court of Appeals, argues in its brief (p. 5-6) that that District Court made fingings that would support a contention that:

> "Even if damage had not been presumed, proof of damage is ample".

Petitioner's response to this argument is two-fold. First, respondent's alleged "proof of damage" is immaterial to this petition since the Court of Appeals placed no reliance on any such proof but instead simply presumed damage because the delay exceeded six years. It is also noted that the testimony relied on by respondent as proof of damage was specifically rejected by the District Court and never mentioned by the Court of Appeals.

Secondly, the particular testimony referred to by respondent does not in any way constitute proof that defendant was damaged by plaintiff's delay. Respondent refers to the testimony by Mr. Watry, one of the three co-inventors of the patent in suit. Mr. Watry's testimony was introduced at trial to support two of respondent's

defenses (improper joinder of inventors and unclean hands) both of which were considered and rejected by the District Court. The District Court, in rejecting the defenses noted (A-36) that Mr. Watry had difficulty remembering details leading up to the patent in suit and for this reason was hesitant to state that he was an inventor. It was this hesitancy due to poor memory upon which respondent relied to argue that Watry was not a true inventor. Thus, contrary to what respondent would have this Court believe, the delay involved in the Watry testimony actually tended to work to respondent's benefit.

Respondent also makes reference to the testimony of petitioner's president (A-3) that in 1961 he learned that respondent had enlarged its line of pitless adapters. Here again there is no mention of this testimony by the Court of Appeals. Clearly, the District Court did not consider it evidence of damage since the District Court specifically found to the contrary.

Finally, reference is made to respondent's sales and employment figures which showed moderate increases over the years. This evidence wasn't mentioned by either the District Court or the Court of Appeals. The evidence was not supported by any explanatory testimony tending to show how the sales and employment figures bore a relationship to respondent's allegation that it was damaged by the delay.

SUPPLEMENTAL FACTS IN SUPPORT OF PETITION

Petitioner, since the filing of its petition, has discovered certain facts which provide further support for the petition herein.

Reference is made first to the case of *George H. Butterfield, Sr. v. Oculus Contact Lens Company, Inc.*, Civil Action No. 69-C-1812 (and related cases) pending in the United States District Court for the Northern District of Illinois, Eastern Division. This is a patent case which involves 39 separate defendants consolidated for trial under the Multi-District Litigation Statute (28 U.S.C. §1407).

Shortly before trial, defendants, relying on the Court of Appeals decision below, filed a motion to amend the Final Pretrial Order to provide that the defense of laches may be asserted in behalf of all the defendants. A copy of the motion and the proposed order submitted therewith is reprinted in the Appendix hereto. Of particular interest, is defendants' reply memorandum which is also reprinted in the Appendix. The memorandum points out that the ground for the motion is the decision below and in so doing, characterizes such decision as "greatly liberalizing the law of this Circuit with respect to laches in patent cases." The motion was resolved by stipulation of the parties wherein it was agreed that the defense of laches would not be asserted in the trial commencing on November 16, 1970, but that the defendants shall be free to assert the defense in any subsequent trial that may be conducted. A copy of this stipulation is reprinted in the Appendix.

Reference is also made to a recent decision filed January 22, 1971 in the case of *Continental Coatings Corporation v. Metco Inc. et al*, Civil Action No. 68-C-1320, in the United States District Court, Northern District of Illinois, Eastern Division. As indicated in the decision reprinted in the Appendix hereto, the defendant moved for summary judgment dismissing the action on

the grounds of laches. The Court, relying solely on the Court of Appeals decision below, presumed injury to the defendant and granted the motion. In so doing it rejected previous decisions noting that the *Baker* case was now the law of the district.

From the foregoing it is seen that the decision below has already had a substantial impact on other Federal Court litigants.

Respectfully submitted,

PAUL R. PUERNER
626 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

Counsel for Petitioner.

Dated: February 8, 1971

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

GEORGE H. BUTTERFIELD, SR.,
Plaintiff,

v.

OCULUS CONTACT LENS COMPANY, INC.,
Defendant.

Civil Action
No. 69-C-1812
(and related cases)

NOTICE

TO: Hamilton Smith, Esq.
McDermott, Will & Emery
111 West Monroe Street
Chicago, Illinois 60603
Attorney for Plaintiff

Sir:

PLEASE TAKE NOTICE that on Wednesday, October 21, 1970, at 10:00 o'clock in the morning or as soon thereafter as counsel may be heard, we shall appear before the Honorable Hubert L. Will, United States District Judge, in his court room at 219 South Dearborn Street, Chicago, Illinois, and shall then and there present our motion for amendment of the Final Pre-Trial Order herein in accordance with the draft order of which a copy is annexed hereto.

At which time and place you may be present if you so see fit.

DUGALD S. McDOUGALL
135 South LaSalle Street
Chicago, Illinois 60603
Tel.: 346-0338

CHARLES W. RUMMLER
7 South Dearborn Street
Chicago, Illinois 60603
Tel.: 236-3418
Attorneys for Defendants

Receipt of two copies of the above notice is acknowledged this 19th day of October, 1970.

Attorney for Plaintiff

ORDER

(Civil Action 69-C-1812 and related cases)
(Caption — Not Printed)

This cause having come on to be heard upon the motion of defendants to amend the Final Pre-Trial Order herein, so as to provide that the defense of laches may be, and is being; asserted in behalf of all the defendants, rather than only in behalf of defendant Contact Lens Service, Inc.; and

It appearing that since the entry of the Final Pre-Trial Order herein, the opinion of the United States Court of Appeals for the Seventh Circuit in *Baker Mfg. v. Whitewater Mfg. Co.*, Appeal No. 17,863, has been published (166 USPQ 463) and hence has come to the attention of counsel for the defendants; and

It further appearing that the Court of Appeals, in its aforementioned *Baker* opinion, has held that the putative right of action of a patentee who has delayed unreasonably; or in any event more than six years, in filing suit against an alleged infringer shall, prima facie, be barred by laches even in the absence of affirmative reliance by such accused infringer upon such failure to act, and that in such circumstances the burden is on the patentee to excuse such delay;

NOW, THEREFORE, in view of the facts and circumstances above recited, IT IS HEREBY ORDERED AND ADJUDGED THAT, to prevent manifest in-

justice, the defendants' motion to amend the Final Pre-Trial Order is granted; and said Order is hereby amended by deleting the present Paragraph 10 of the Statement Of All Uncontested Facts, which forms a part of said Final Pre-Trial Order, and substituting therefor a new Paragraph 10 which reads:

> "10. The defense of laches will be an issue at the trial with respect to all the defendants."

ENTER:

United States District Judge

DEFENDANTS' REPLY MEMORANDUM IN SUPPORT OF THEIR MOTION TO AMEND THE FINAL PRE-TRIAL ORDER

(Civil Action 69-C-1812 and related cases)

(Caption — Not Printed)

The matter at issue is a motion by defendants to so amend the Final Pre-Trial Order as to make the defense of laches an issue with respect to all the defendants. The ground for this motion, the Court will recall, is the decision of our Court of Appeals in *Baker Mfg. Co. v. Whitewater Mfg. Co.* (7 Cir., 1970), —— F. 2d ——, 166 USPQ 463, first published after the Final Pre-Trial Order had been entered.

Plaintiff's papers opposing the motion assert two grounds—first, that defendants' withdrawal of the laches defense as to all the defendants save one was part of a bargain between the attorneys for the respective parties, pursuant to which plaintiff voluntarily dismissed eleven of his cases; and, second, that trying the laches issue, were defendants' motion to be granted, would require

plaintiff to call many additional witnesses, some in Oregon, to explain away plaintiff's delay in filing suit.

With respect to plaintiff's first asserted ground, the defendants categorically deny that there was any "agreement", or "bargain" by which plaintiff's dismissal of eleven cases was undertaken in consideration of defendants' withdrawal of the laches defense as to all save one defendant. Mr. Rummler, who attended the conferences in question, is out of the city this week, but he expects to attend the hearing in this cause on November 2. Should the Court deem the issue material, Mr. Rummler will take the witness stand at that time and testify under oath that there never was any such bargain, agreement, or understanding.

Plaintiff's second asserted ground of opposition to defendants' motion is plainly without merit. Plaintiff has known all along that he would have to offer whatever evidence he had available "to explain the reasons for his delay in pursuing his rights under the patent law", since, as the pre-trial order now stands, the defense of laches *is* in the case with respect to defendant Contact Lens Service, Inc. (Case No. 69-C-2184). Offering such evidence against all the defendants, rather than against only one, will not add *anything* to plaintiff's trial burdens. His contention to the contrary deserves summary rejection.

Lacking in merit also is plaintiff's point that some of the defendants did not formally plead laches in their answers. Those defendants, plaintiff avers, should not be allowed to rely on laches now "without a showing of good cause". Defendants agree, but submit that ample cause is provided by the appearance, after the pre-trial order herein was signed, of the *Whitewater* decision

greatly liberalizing the law of this Circuit with respect to laches in patent cases.

Conclusion

Plaintiff has failed, we respectfully submit, to bring forward *any* legitimate reason for denying defendants' motion to amend the Final Pre-Trial Order. Should the Court feel, however, that any of plaintiff's asserted grounds has such merit as to require denial of defendants' present motion, then defendants respectfully ask that the Court's order denying defendants' motion include a provision that nothing in the pre-trial order shall be deemed to estop or otherwise bar the defendants herein (apart from Contact Lens Service, Inc.) from raising laches as a defense at any subsequent trial that may take place in these actions. (The present trial, the Court will recall, is only on limited issues, and a further trial involving at least the issues of infringement and damages must be held in the event that plaintiff's claims should "survive" the forthcoming trial in which the issues of validity, notice, and marking will be resolved.)

Such an order by the Court would preserve for the defendants their rights under the *Whitewater* case without inconveniencing plaintiff or his counsel in the least degree, so far as the forthcoming trial is concerned.

Defendants' motion should, we submit, be granted. Should the Court decide that it should be denied, how-

ever, defendants ask that it be on the terms proposed in the preceding paragraphs.

Respectfully submitted,

s Dugald S. McDougall
Dugald S. McDougall
135 South LaSalle Street
Chicago, Illinois 60603
Tel.: 346-0338

Attorney for Defendants

STIPULATION

(Civil Action 69-C-1812 and related cases)
(Caption — Not Printed)

It is hereby stipulated by and between the parties hereto, through their respective counsel, as follows:

That Defendants withdraw their Motion to Amend the Final Pretrial Order filed on October 19, 1970.

That Defendant CONTACT LENS SERVICE, INC., No. 69-C-2184, hereby agrees that in the trial commencing on November 16, 1970, the defense of laches will not be asserted.

That in consideration of the above, Plaintiff agrees that all of the Defendants shall be free to assert the defense of laches in any subsequent trial that may be conducted herein.

That Defendants' Request for Admissions from Plaintiff filed October 19, 1970, is hereby withdrawn.

Dated: November 2, 1970.

MELVIN M. BELLI
ROBERT L. LIEFF
DONALD N. MAC INTOSH
HAMILTON SMITH

By _____
ROBERT L. LIEFF
Attorneys for Plaintiff

DUGALD S. MC DOUGALL
CHARLES W. RUMMLER

By _____
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IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

CONTINENTAL COATINGS CORPORATION, and Illinois corporation,

Plaintiff,

vs.

METCO, INC., a New Jersey corporation, F. H. AYER MFG. CO., INC., an Illinois corporation, and U. S. METALLIZING & WELDING CORP., an Illinois corporation,

Defendants.

Civil Action No.

68 C 1320

MEMORANDUM OPINION ON DEFENDANT'S MOTIONS FOR SUMMARY JUDGMENT

This is a patent infringement brought by Continental Coatings Corporation (Continental), an Illinois corporation, against Metco, Inc. (Metco), a New Jersey corporation, and two of Metco's customers, F. H. Ayer Mfg. Co. (Ayer) and U. S. Metallizing & Welding Corp. (MW), both of which are Illinois corporations. The patent in the suit, U. S. Letters Patent No. 2,904,449 (Bradstreet Patent) is entitled "Method and Compositions for Flame Spraying" and allegedly directed to a method for applying a coating of crystalline refractory oxide by a flame spray process. This patent was issued on September 15, 1959 to the Armour Research Foundation of Illinois Institute of Technology, Chicago, Illinois, now known as the IIT Research Institute (IIT). Originally, Continental was an exclusive licensee under the patent. Subsequently IIT assigned the Bradstreet patent to Continental.

Defendant has filed two motions for summary judgment. The first seeks dismissal of the Complaint following declaration that patent claims 1, 2, 6 and 8, the only claims allegedly infringed, are invalid. The second motion seeks dismissal following a determination that the patent is unenforceable by reason of laches in that the delay in bringing the present action was unreasonable and unexplainable.

Essentially, summary judgment is appropriate where there is no substantial factual controversy requiring a trial and one party is entitled to prevail as a matter of law. *Chicago Joint Board v. Chicago Tribune*, 307 F. Supp. 442, 424 (N.D. Ill. 1969). Although perhaps invoked less often than in other areas, *John Wood Co. v. Metal Coating Co.*, 144 U.S.P.Q. 402, 403 (N.D. Ill. 1965), summary judgment is applicable in appropriate patent cases. See, e.g., *Morton Salt v. Suppiger Co.*, 314 U.S. 488 (1942); *A R Inc. v. Electro-Voice, Inc.*, 311 F. 2d 508 (7th Cir. 1962); *Central Specialties v. Schaefer*, 165 U.S.P.Q. 15 (N.D. Ill. 1970).

On the laches issue, at least, the essential facts in this cause are not in dispute. The Bradstreet Patent was issued on September 15, 1959. Although, as exclusive licensee, it was in a legal position to bring suit against Metco, which never conceded the patent's validity and had declined for over three years to become a licensee, Continental delayed such action because of uncertainty regarding who was infringing and because it "wanted to wait to have some commercial success with the invention before proceeding against infringers." (Def.'s Laches Memorandum Ex. 11, at 3-4). However, shortly thereafter, on November 17, 1960, ITT sent notices of infringement to Daman Industries (*Id.* Ex. 4) and El-

dorado Manufacturing Co. (*Id.* Ex. V), both of which replied with an indication that the matter had been referred to Metco. Subsequently, Metco expressed its strong feeling that the patent was invalid and told IIT that Metco would hold harmless any of its purchasers as to any possible infringement of the Bradstreet patent. (*Id.* Ex. VIII). Daman and Eldorado were held harmless by Metco. (*Id.* Exs. IX, X).

In May, 1963, IIT considered numerous companies, including defendant MW as potential infringers and began to learn about their processes.

Although IIT's attorney believed that "a law suit would be a meaningless expense," in March, 1964, IIT agreed to bring "at least one but not more than one infringement suit." (*Id.* Ex. II, at 7). Soon afterwards, IIT reconsidered suing Metco as a contributory infringer, (*Id.* Ex. VIII), and renewed its attempt to license Metco (*Id.* Ex. XIV), which effort was rejected by Metco on the grounds that the patent was invalid (*Id.* Ex. XV).

Defendant MW was among sixteen companies listed by IIT in July, 1964, as ones which may be infringing the Bradstreet Patent (*Id.* Ex. XVI). Later that year, offers to license and notices of infringement were sent out to at least 412 companies, none of which accepted a licensing agreement and some of which indicated that Metco held them harmless. (*Id.* Ex. II, at 7-8). Plaintiff, subsequent to this abortive licensing campaign, continued to urge IIT to sue for infringement of the Bradstreet Patent. (*Id.* Exs. XVII, XVIII, XIX).

By February, 1966, plaintiff believed that IIT was not interested in patent litigation, but that IIT wanted

to arrange a settlement with it. (*Id.* Ex. XX). Two years later, ITT paid plaintiff $75,000, assigned the Bradstreet Patent to plaintiff and cancelled their prior agreement.

Plaintiff claims its last contact with Metco was in July, 1965, and its last contact with Metco's customers was in March, 1966. This law suit was first filed by plaintiff in July, 1968. Thus, the facts clearly show that this action was not commenced until over seven years after Metco's customers received infringement notices and were held harmless and over three and one-half years after the mass notices of infringement were mailed. During all this time, even if the claim of infringement was not being abandoned, at no time, except for the aforementioned notices was Metco or any of its customers notified that the claim was being pressed. *Baker Mfg. Co.*, 430 F. 2d 1008, 1013 (7th Cir. 1970). As in *Baker*, we know of no demand for compensation which followed any notice of infringement. *Id.* at 1014. There is some evidence of sporadic talk, but no evidence of diligent action. Even accepting plaintiff's timetable, the initial program of notice and lack of perseverance was followed by a period of two or three years of total silence until the suit was filed.

Whatever conflicts may have existed respecting the doctrine of laches in this district, the latest and most complete statement of subject may be found in *Baker*. In that case, a patentee was barred by laches from claiming infringement where it had waited more than nine years after first giving defendant notice of its claimed patent infringement before bringing suit and where plaintiff had some correspondence concerning cross licensing during the early part of that period but remained silent for the final seven years. The Seventh Circuit held

that where there is unreasonable delay in bringing a patent infringement action, "the burden is on the patentee to excuse" such a delay and "under such circumstances there is a presumption that an alleged infringer has been damaged." *Id.* at 1009.

The instant action, in certain important areas, is quite similar to the *Baker* case. First, it appears that Continental and ITT were both aware of Metco's sales of refractory oxide flame spray powders to its customers, of Metco's refusal to obtain a license under the Bradstreet Patent because of invalidity, and of Metco's policy of holding its customers harmless from patent action regarding the Bradstreet suit. In spite of this awareness, however, Continental and ITT failed to attempt to establish their rights in the proper forum until almost nine years after the patent had issued, and Metco, at least, engaged in allegedly infringing activities.

Plaintiff has not satisfactorily met the burden, clearly stated in *Baker*, to assert a reasonable excuse for this delay. As noted, the initial delay was made to allow sufficient time to achieve some commercial success. Several years later, after the mass mailing campaign failed to produce licensees, another decision to delay suit was made on economic grounds.

> "Then while all was going on we got an estimate . . . and a simple little suit . . . would cost us about $50,000. And from no individual defendant could we expect to get anything near this amount in recovery. This I believe led to the management decision not to sue infringers." (Deft's Laches Memorandum, Ex. II, at 8.)

However, just as it was unreasonable for Baker to delay pursuing his claimed patent rights until litigation would

be worthwhile, so was it unreasonable for ITT and Continental to have delayed their suit. See *Baker Mfg. Co. v. Whitewater Mfg. Co.*, 430 F. 2d 1008, 1014-15 (7th Cir. 1970). As in *Baker*, plaintiff has not asserted that it was without means to finance a law suit. *Id.*

Under *Baker*, such unexcused delay raises a presumption that an alleged infringer has been injured. *Id.* at 1009. The operating theory is that the alleged infringer, having good reason to believe the patentee abandoned or at least considered worthless its claims, worked to build up his business. See *Id.* at 1011. This presumption has not been met, much less overcome, by plaintiff.

Moreover, in this case, the theory describes the fact. Defendant's Vice-President in charge of engineering has related a pattern of somewhat interrupted, but still long-term, growth for Metco's refractory oxide materials sold for flame spraying:

Year	*Total Pounds Sold*
1959	13,901
1960	16,928
1961	30,761
1962	29,194
1963	26,405
1964	32,425
1965	44,722
1966	86,323
1967	80,052

(Ingham Aff. in Support of Defendants' Laches Summary Judgment Motion, ¶ 3.) The sizable increases in 1961 and 1964 are especially interesting since during the former time Metco informed its customers that it would hold them harmless to infringement actions and during

the latter time that IIT conducted its unsuccessful mass notice and licensing campaign.

The cases upon which plaintiff relies pre-date *Baker*, and, therefore, are of little import. The most recent but still pre-Baker case cited is *Photon, Inc. v. Eltra Corp.*, 308 F. Supp. 133 (N.D. Ill. 1969). There the Court held laches inapplicable although the plaintiff had learned of the infringement seven years prior to bringing the suit. However, in that case, plaintiff indicated its intent to enforce its patent, defendant recognized some economic virtue to it, and both parties were engaged in settlement negotiations in an attempt to resolve their dispute without litigation. The instant situation presents neither the intent, the recognition, nor the negotiations found in the *Photon* case. Moreover, since *Baker*, the patent enforcer has a clear burden of excusing his delay and overcoming a presumption of injury, neither of which was accomplished here.

In conclusion, we find that plaintiff slept on its rights for an inexcusably prolonged period of time — almost nine years. During this period of non-pursuit, defendants' sales increased over six-fold. Under these circumstances and the *Baker* decision, the defense of laches is applicable to defendant Metco and its customers Ayer and MW, barring any relief sought by plaintiff. Summary judgment on the issues of laches is granted to defendants and denied to plaintiff. The cross-motions for summary judgment on the issues of validity and infringement become moot.

ENTER:

s/ Abraham L. Marovitz

Dated: this 22d day of January, 1971.